



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date:7/13/2000

GAIN Report #RS0032

Russian Federation

Dairy and Products

Semi - Annual

2000

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Report Highlights:

In 2000, the Russian dairy herd is expected to decline another 3 percent in light of inadequate feed grain supplies. Meanwhile, short supplies of milk in the EU have increased prices for imported cheese and butter, and Russian consumers are turning toward inexpensive dairy products and dairy substitutes.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Moscow [RS1], RS

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Executive Summary

The Russian dairy herd will continue to suffer in light of inadequate feed grain supplies, and is expected to decline 3 percent this year. Meanwhile, imports of most cheese and butter products have declined dramatically, as short supplies of raw milk in the EU have increased prices significantly. According to Russian statistics, consumption of dairy products is presently only 66 percent of the level recommended by the state. The situation in the Russian dairy industry is expected to worsen in the near future.

Production

Problems in the Russian dairy industry persist: inefficiency and high production costs, poor management, lack of feed supplies, and insufficient cold storage and milking equipment. As of January 2000, the Russian dairy herd size was 12.9 million head, or 4.5 percent less than it was at the same time last year.

According to Russian statistics, on March 1, 2000, total feed supplies were 11 percent lower than they were last year; feed grains declined by 25 percent. Milk production in 2000 is estimated at 3.1 million MT, or 3 percent less than 1999. Production on former collective and state farms continues to decrease, while small private farms are increasing their share of Russia's milk production.

Table 1: Feed Availability, March 1998, 1999, and 2000

	1998	1999	2000
Feed units, million MT	23.3	14.0	12.4
Including			
Feed grain	7.6	4.1	3.1
Per head, feed units, MT	0.970	0.630	0.580

Source: Russian State Statistics Committee

Production of Dairy Products, 2000

Milk processors continue to increase cooperation with private farmers by supplying them with equipment, feed, and other inputs. Consequently, domestic production of all types of processed dairy products are increasing. Because the ruble devaluation reduced dairy imports significantly, local dairy processing companies such as Wimm-Bill-Dann (Moscow), Petmol (S-Petersburg), Campina (Holland), Parmalat (Italy), Canon (France) are attempting to become more competitive, efficient, and productive.

Table 2: Russian Production of Dairy Products, January - February 1999 and 2000

Year	1999	2000	2000 as percent of 1999
Butter	18,000	20,000	110
Cheese	17,000	22,000	130
Whole milk products, calculated as liquid milk	840,000	920,000	110
Non-fat milk products, calculated as non-fat liquid milk	65,000	82,000	126

Source: Russian State Statistics Committee

Consumption

Currently, Russian processors are utilizing low grade raw milk produced locally, which is cheaper than imported product. The majority of Russians can only afford to buy inexpensive dairy products, and the industry is experiencing difficulty selling many types of dairy products. Dairy substitutes such as margarine remain popular.

Prices

During the summer months processing companies receive more milk than they do during the winter. The combination of market saturation and low seasonal demand is temporarily pushing domestic prices downward.

Table 3: Retail Prices of Milk Products, Rubles

	1999		2000	
	Milk (non pasturized) (1 liter)	Butter (1 Kg)	Milk (1 liter)	Butter (1 Kg)
January	6.58	65.73	7.50	66.82
February	6.70	65.70	6.60	66.80
March	6.76	65.67	6.58	65.42
April	6.83	65.25	6.30	64.40
May	6.82	63.70	N.d.	N.d.
June	6.69	61.01	N.d.	N.d.
July	6.70	59.41	N.d.	N.d.

August	6.80	61.00	N.d.	N.d.
September	7.06	63.80	N.d.	N.d.
October	7.30	65.24	N.d.	N.d.
November	7.64	66.04	N.d.	N.d.
December	8.00	66.83	N.d.	N.d.

Source: Russian State Statistics Committee

Trade

Imports of cheese and butter have fallen significantly because short milk supplies in the EU have pushed up prices. However, imports of non-fat dry milk powder have jumped markedly as the result of some 80,000 MT of humanitarian aid shipments of dry milk powder from the United States and the EU.

Table 4: Russian Dairy Imports in 1998-1999

	1998		1999	
	MT	\$1,000	MT	\$1,000
0402 Milk Concentrated				
Total	136,877		183,706	122,878
US	13,129	11,310	25,027	30,465
0402.10 'Dry Milk, fat content less than 1.5 percent				
Total	30,910	18,886	109,076	82,845
US	10,753	8,486	22,627	28,170
0402.21 Dry Milk, fat content more than 1.5 percent				
Total	35,487	30,696	35,355	19,700
US	1,259	2,453	2,074	2,187
0405.10 'Butter				
Total	79,646	139,700	37,966	61,707
US	3,405	4,565	108	174
0406' Cheese				
Total	84,720	97,846	19,801	36,482
US	137	449	48	157

Source: Russian State Statistic Committee

Table 5: Russian Imports of Concentrated Dairy Products during the first quarter of 1999 and 2000

	1999		2000	
	MT	\$1,000	MT	\$1,000
0402 Dairy products, concentrated, with or without sugar				
Total	28,333	15,669	19,988	15,390
US	2,007	2,163	7,705	9,897

Source: Russian State Statistics Committee

Policy

In Russia, exports of skim milk powder are currently banned as a result of decree 688 of October 1999 issued by the State Customs Committee. Subsequently, Customs decree T-3452 issued on May 23, 2000 extended the prohibition indefinitely.

Marketing

Because processors offer low prices and often pay late, more milk producers are marketing their own products. However, the quality is usually poor. The bulk of dairy products consumed in rural areas are locally produced, while the trend in big cities is toward imported products.

PSD Table						
Country:	Russian Federation			1,000MT		
Commodity:	Dairy, Milk, Fluid					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Cows in milk, 1,000 heads	14500	14500	13500	13500	12500	12900
Cows Milk Production	33000	33000	31500	32000	30700	31000
Other Milk Production	0	0	0	0	0	0
TOTAL Production	33000	33000	31500	32000	30700	31000
Intra EC Imports	0	0	0	0	0	0
Other Imports	50	50	20	20	18	18
TOTAL Imports	50	50	20	20	18	18
TOTAL SUPPLY	33050	33050	31520	32020	30718	31018
Intra EC Exports	0	0	0	0	0	0
Other Exports	5	5	5	5	5	5
TOTAL Exports	5	5	5	5	5	5
Fluid Use Dom. Consum.	14765	14765	14700	14500	14685	14000
Factory Use Consum.	14980	14980	13580	14315	12828	13913
Feed Use Dom. Consum.	3300	3300	3235	3200	3200	3100
TOTAL Dom. Consumption	33045	33045	31515	32015	30713	31013
TOTAL DISTRIBUTION	33050	33050	31520	32020	30718	31018

PSD Table						
Country:	Russian Federation		1,000MT			
Commodity:	Dairy, Butter					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	50	50	45	45	40	40
Production	270	270	245	260	225	270
Intra EC Imports	0	0	0	0	0	0
Other Imports	150	150	70	55	60	60
TOTAL Imports	150	150	70	55	60	60
TOTAL SUPPLY	470	470	360	360	325	370
Intra EC Exports	0	0	0	0	0	0
Other Exports	6	6	8	8	7	8
TOTAL Exports	6	6	8	8	7	9
Domestic Consumption	419	419	312	312	288	321
TOTAL Use	425	425	320	320	295	330
Ending Stocks	45	45	40	40	30	40
TOTAL DISTRIBUTION	470	470	360	360	325	370

PSD Table						
Country:	Russian Federation					
Commodity:	Dairy, Cheese	1,000 MT				
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	12	12	8	8	7	7
Production	170	170	165	185	160	190
Intra EC Imports	0	0	0	0	0	0
Other Imports	130	130	43	40	35	35
TOTAL Imports	130	130	43	40	35	35
TOTAL SUPPLY	312	312	216	233	202	232
Intra EC Exports	0	0	0	0	0	0
Other Exports	3	3	3	3	3	3
TOTAL Exports	3	3	3	3	3	3
Human Dom. Consumption	301	301	206	223	192	223
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	301	301	206	223	192	223
TOTAL Use	304	304	209	226	195	226
Ending Stocks	8	8	7	7	7	6
TOTAL DISTRIBUTION	312	312	216	233	202	232

PSD Table					
Country:	Russian Federation		1,000MT		
Commodity:	Dairy, Dry Whole Milk Powder				
		1998		1999	
	Old	New	Old	New	Old
Calendar Year Begin		01/1998		01/1999	
Beginning Stocks	0	0	0	0	0
Production	72	72	40	55	70
Intra EC Imports	0	0	0	0	0
Other Imports	50	50	35	35	60
TOTAL Imports	50	50	35	35	60
TOTAL SUPPLY	122	122	75	90	130
Intra EC Exports	0	0	0	0	0
Other Exports	5	5	3	3	5
TOTAL Exports	5	5	3	3	5
Human Dom. Consumption	117	117	72	87	125
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	117	117	72	87	125
TOTAL Use	122	122	75	90	130
Ending Stocks			0	0	0
TOTAL DISTRIBUTION	122	122	75	90	130

PSD Table					
Country:	Russian Federation			1,000MT	
Commodity:	Dairy, Milk, Nonfat Dry				
		1998		1999	
	Old	New	Old	New	Old
Calendar Year Begin		01/1998		01/1999	
Beginning Stocks	0	0	0	0	0
Production	170	170	120	130	100
Intra EC Imports	0	0	0	0	0
Other Imports	20	20	90	90	90
TOTAL Imports	20	20	90	90	90
TOTAL SUPPLY	190	190	210	220	190
Intra EC Exports	0	0	0	0	0
Other Exports	40	40	0	0	0
TOTAL Exports	40	40	0	0	0
Human Dom. Consumption	150	150	210	210	190
Other Use, Losses	0	0	0	0	0
Total Dom. Consumption	150	150	210	210	190
TOTAL Use	190	190	210	210	190
Ending Stocks	0	0	0	0	0
TOTAL DISTRIBUTION	190	190	210	210	190